United Nations A/71/542

General Assembly

Distr.: General
10 October 2016

Original: English

Seventy-first session
Agenda item 134
Programme budget for the biennium 2016-2017

Ninth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction and background

1. The Advisory Committee on Administrative and Budgetary Questions considered the ninth progress report of the Secretary-General on the adoption of the International Public Sector Accounting Standards (IPSAS) by the United Nations (A/71/226). During its consideration of the report, the Committee met representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses dated 27 September 2016.

2. The Advisory Committee recalls that the General Assembly, in its resolution 60/283, approved the adoption of IPSAS by the United Nations. The Committee also recalls that, since 2008, the Secretary-General has submitted annual progress reports on the adoption of IPSAS to the Assembly. In his ninth progress report, the Secretary-General focuses on the ongoing work to support the long-term sustainability of IPSAS compliance at the United Nations and the relevant organizations of the United Nations system during the reporting period (1 September 2015 to 31 August 2016).

3. **The Advisory Committee welcomes the reported improvements in United Nations financial accounting and reporting resulting from the implementation of IPSAS and reiterates its expectation that these improvements will lead to greater efficiency, effectiveness and accountability in the management of the Organization's resources.**

16-17532 (E) 111016

Please recycle

II. Sustaining compliance with the International Public Sector Accounting Standards at the United Nations

4. Detailed in section II of the report of the Secretary-General is the progress made in the ongoing work relating to the five pillars[1] identified as central to the long-term sustainability of IPSAS compliance. It is also indicated that, during the reporting period, the accountability of senior managers for the sustainability of IPSAS was included in the individual compacts signed between the senior managers and the Secretary-General. Discussed in paragraphs 5 to 17 below are managing IPSAS benefits, strengthening internal controls Organization-wide, managing the regulatory framework and supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting.

Benefits management

5. The progress achieved in the five major benefit categories under the benefits realization pillar is discussed in paragraphs 17 to 34 of the report of the Secretary-General. In earlier reports, these categories were identified as: alignment with best practices; improved stewardship of assets and liabilities; availability of more comprehensive information on costs; improved consistency and comparability; and increased transparency and accountability (see A/60/846/Add.3, para. 15; A/69/367, para. 63; and A/70/7/Add.2, para. 7). It is also indicated that a benefits tracking mechanism has been put in place to enable IPSAS focal point managers in all departments, offices and missions across the Organization to report on qualitative and quantitative benefits based on key performance indicators. It is further indicated that, based on the more recent reporting experience, some benefits and key performance indicators based on the original benefits realization plan will be either reformulated or discontinued and that the tracking mechanism will be adjusted accordingly as additional benefits continue to be identified.

6. Among the benefits highlighted in the report, the Advisory Committee notes that offices across the Secretariat reported almost 100 per cent asset verification rates and more rigorous control of asset and inventory holdings owing to better data visibility. **The Advisory Committee is of the view that reporting on such improvements should include some concrete examples supported by quantitative measurements. The Committee is also of the view that the information provided should be clear as to the improvements attributable to the Umoja-related system enhancements and those attributable to the adoption of IPSAS. In this regard, the Committee looks forward to receiving detailed information on such improvements in the tenth and final progress report of the Secretary-General on IPSAS.**

[1] The five pillars identified in paragraph 36 of the eighth progress report of the Secretary-General (A/70/329) are: the management of IPSAS benefits; the strengthening of internal controls Organization-wide; the management of the IPSAS regulatory framework to implement changes in the Standards, as well as drive related changes to systems; supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting; and continued IPSAS training and the deployment of a skills strategy focused on developing talent for analysis of the financial information triggered by IPSAS.

7. **The Advisory Committee continues to stress the role of managers in ensuring the delivery of IPSAS benefits throughout the United Nations and reiterates the view that further benefits should be explored as departments, offices and missions continue to mainstream IPSAS in their work processes (see A/70/7/Add.2, para. 10).**

Strengthening internal controls

8. The Secretary-General indicates that, during the reporting period, the Organization updated its original plans described in his previous progress report (A/70/329, paras. 49-51) and defined its approach to strengthening internal controls based on the conceptual framework of the Committee of Sponsoring Organizations of the Treadway Commission. According to the updated plan, all heads of departments, offices and missions will be required to submit an annual assurance statement to the Controller affirming that internal controls are present and functioning in their respective areas of responsibility. It is also indicated that these officials will be supported by self-assessment checklists, communication and training materials and hands-on training in assessing internal controls locally. To test the assurance process, a pilot exercise has been planned in selected peacekeeping missions for late 2016, with its results to be factored into the assurance process to be rolled out to peacekeeping operations early in 2017 and to non-peacekeeping reporting entities[2] in the fourth quarter of 2017. It is further indicated that, depending on the results of the initial assurance process, the issuance of a statement of internal control is being considered to accompany the financial statements for the financial year 2016/17 for peacekeeping operations and for the financial year 2017 for the non-peacekeeping reporting entities.

9. Upon enquiry, the Advisory Committee was informed that, subsequent to the issuance of the report of the Secretary-General, the Controller had defined the Organization's three main internal control objectives on the basis of the Financial Regulations and Rules of the United Nations as follows:

(a) Operations objective: safeguarding of assets and resources to demonstrate responsible management;

(b) Reporting objective: reliable IPSAS-compliant financial statements to ensure confidence in internal and external reporting and to support decision-making;

(c) Compliance objective: compliance with regulations and rules in adherence with the governing framework.

10. The Advisory Committee was also informed that, in the fourth quarter of 2016, the emphasis would be placed on defining the appropriate content for the self-assessment checklists and assurance statements (see para. 8 above) that would form the basis for the statement of internal control. The Committee was also provided with copies of the statements of internal control from the United Nations Educational, Scientific and Cultural Organization and the World Food Programme,

[2] The reporting entities of the non-peacekeeping operations that are targeted for the implementation of the statement of internal control are: the United Nations (volume I), the United Nations Environment Programme, the United Nations Human Settlements Programme and the United Nations Office on Drugs and Crime.

which, according to the report of the Secretary-General, were the first United Nations system entities to implement such statements.

11. **The Advisory Committee takes note of the progress made in the development of the Organization's internal control framework. In addition, the Committee expects that strengthening internal controls will be treated as a management responsibility and not just a financial reporting exercise and that every effort will be made to train and equip managers with the tools necessary to establish, monitor and report on internal controls. In this regard, the Committee looks forward to receiving information on the results of the pilot exercise planned for 2016 in the tenth and final progress report of the Secretary-General on IPSAS, as well as a copy of the statement of internal control.**

Managing the regulatory framework

12. As indicated in paragraph 41 of the report of the Secretary-General, the sustainability efforts require continuing activity to keep the United Nations IPSAS regulatory framework up to date as the IPSAS Board continues to develop new policy documents and make changes to existing standards, a process that may have an impact on the Organization. It is also indicated that the IPSAS Board is currently working on issues that may have implications for financial reporting at the United Nations, including financial reporting for heritage items, revenue and non-exchange expenses, leases, employee benefits and accounting for public sector combinations.

13. Upon enquiry, the Advisory Committee was informed that heritage assets were described as such because of their cultural, educational or historical significance and included works of art, monuments and historical buildings. It was explained that their measurement in cultural, educational and historical terms was unlikely to be fully reflected in a financial value, that they were often irreplaceable and that it was difficult to estimate their useful lives. It was further explained that the recognition of heritage assets in financial statements was currently not required under IPSAS but, given the Organization's significant holding of those assets, they were disclosed in the notes to the United Nations financial statements under the classes of real estate and monuments, works of art, books and maps and other heritage assets. The Committee was informed that, should the IPSAS Board issue the standard on financial reporting for heritage items, the Secretariat would face the challenge of identifying and classifying all assets that fell into that category across its multiple geographical locations. In addition, those assets would need to be valued and the asset accounting systems would need to be reconfigured accordingly in order to support the accounting transactions required to record and present those assets in the financial statements.

14. **The Advisory Committee takes note of the efforts being made by the IPSAS project team to monitor and participate in the ongoing policy discussions of the IPSAS Board. The Committee trusts that the General Assembly will be kept apprised of developments and updates to IPSAS and their impact on the United Nations IPSAS regulatory framework.**

Strengthening Umoja as the backbone for accounting and reporting compliant with the International Public Sector Accounting Standards

15. As indicated in the successive progress reports on IPSAS, the strengthening of Umoja as an adaptable information technology system continues to be of crucial importance to the long-term sustainability of IPSAS-compliant accounting and reporting. In this regard, it is indicated in the report that the IPSAS project team will continue to play a major role in the following activities: (a) the ongoing development of the online IPSAS/Umoja finance manual, which combines IPSAS policies with step-by-step Umoja processes to guide finance users; (b) the automation of the financial statement process via an Umoja solution, the business planning and consolidation module (it is indicated that the first set of official financial statements to be generated from this Umoja solution will be for peacekeeping operations (United Nations volume II) for the financial period ended 30 June 2016); and (c) the plan to deploy Umoja for asset accounting in field missions, which will entail the transfer of asset accounting from Galileo and other applications to the Umoja solution. It is further indicated that, in September 2017, all fixed assets and all field mission inventory balances, including strategic deployment stocks, will be migrated to Umoja, which will allow for more effective monitoring of assets, with detailed information easily and centrally available for financial, budgetary and operational purposes.

16. The Advisory Committee recalls that, in the fourth quarter of 2015, its attention was drawn to the anticipated delay in the submission of the 2015 financial statements for the non-peacekeeping reporting entities to the Board of Auditors from the statutory deadline of 31 March 2016 to a new delivery date of 31 May 2016. According to the information received by the Committee, this disruption in the timeline for the delivery of the financial statements had resulted from the roll-out of Umoja cluster 4 and the subsequent ramp-up activities, together with the additional time required to stabilize the Umoja operating processes.

17. **The Advisory Committee notes the reported progress in strengthening Umoja as the backbone for IPSAS-compliant accounting and reporting, in particular the automation of the financial statement process using the business planning and consolidation module and the plan to deploy Umoja for asset accounting in field missions. The Committee trusts that these developments will address its earlier stated concerns about the high level of risk involved in the transfer of data across multiple systems for the purpose of preparing financial statements (see A/70/7/Add.2, para. 15). Furthermore, the Committee trusts that the sustainability of IPSAS compliance will not be jeopardized by the issues relating to the implementation of Umoja.**

Project budget and expenditure

18. In paragraphs 68 to 70 of his report, the Secretary-General discusses the budget and expenditure of the IPSAS project and presents the updated status of expenditure for the project from its inception in 2006 to 30 June 2016. The Advisory Committee recalls that, in 2012, the indicative budget for the project was set at $27 million, comprising $12.8 million from the support account, $10 million from the regular budget and $4.2 million from extrabudgetary resources (see A/67/564, para. 17). In his report, the Secretary-General indicates that the project expenditure

up to 30 June 2016, recorded as at 25 July 2016, amounts to $28.2 million, comprising $14.8 million under the support account, $9.2 million under the regular budget and $4.2 million under extrabudgetary funds incurred by regional commissions and offices away from Headquarters. He also indicates that an additional $2.5 million has been approved under the 2016/17 support account budget, in combination with the already approved regular budget resources of $1.24 million for the 2016-2017 period.

Proposed supporting structure for long-term sustainability of the International Public Sector Accounting Standards

19. In paragraph 78 of his report, the Secretary-General indicates that the IPSAS project team will be decommissioned on 31 December 2017 as planned. According to the Secretary-General, however, there will remain a need to maintain a supporting structure within the Organization to lead the long-term sustainability of IPSAS compliance. Based on an internal review, the Secretary-General proposes that a supporting structure be established in the Financial Reporting Service of the Accounts Division in the Office of Programme Planning, Budget and Accounts to drive continued IPSAS compliance. The structure would comprise four units: an accounting policy unit, an Umoja coordination unit, an asset accounting unit and an assurance and monitoring unit. Their functions are outlined in paragraph 79 of the report. It is also indicated that the units would be staffed mainly from currently approved resources: three regular budget posts currently assigned to the IPSAS project (1 P-5, 1 P-4 and 1 General Service (Other level)) and four posts deployed from existing resources of the Accounts Division, in addition to three temporary posts (2 P-4 and 1 P-3) to be proposed under the support account for peacekeeping operations in the 2017/18 period, compared with the four temporary positions (2 P-4 and 2 P-3) currently approved under the support account.

20. Upon enquiry, the Advisory Committee was informed that the proposed supporting structure would entail a net reduction of $267,100 in the resources to be requested under the regular budget for 2018-2019 when compared with 2016-2017 and a net reduction of $2,012,700 in the resources to be requested under the support account for peacekeeping operations for 2017/18 when compared with 2016/17. The Committee was informed that the reduction in resources under the regular budget reflected reduced requirements for travel and miscellaneous expenses, while the reduction under the support account reflected the discontinuation of one temporary position (P-3) and the non-requirement for consultants owing to the decommissioning of the IPSAS project team. **The Advisory Committee is of the view that, because IPSAS implementation was conceived as a specific, time-bound project, the current level of resources for the project team should not be used as a baseline for the anticipated level of resources for the post-2017 supporting structure.**

21. **The Advisory Committee recognizes the need for the maintenance of a supporting structure beyond 2017 to drive IPSAS sustainability activities across the Secretariat and also to maintain the in-house expertise acquired over the duration of the project. The Committee will consider the proposed structure and related resource requirements in the context of its consideration of the relevant budget proposals. The Committee's consideration will take into**

account the level of resources in the Financial Reporting Service of the Accounts Division prior to the establishment of the IPSAS project team.

III. International Public Sector Accounting Standards and the United Nations system

22. Paragraphs 71 to 77 of the report relate to IPSAS activities being undertaken by the Task Force on Accounting Standards[3] towards sustaining IPSAS compliance and benefits realization across the United Nations system, with all 24[4] organizations now in the post-implementation phase. The Task Force continues to be supported by the IPSAS project team, which currently has three posts funded from the regular budget, four general temporary assistance positions under the support account for peacekeeping operations and a team of consultants. The Secretary-General indicates that, during the reporting period, the project team supported the activities of the working groups commissioned by the Task Force and reviewed the terminology used in IPSAS-compliant financial statements of the United Nations system organizations with the goal of increasing their comparability. Furthermore, the Secretary-General indicates that the project team undertook a detailed review of the IPSAS Board's recently issued conceptual framework, which may have an impact on new and existing standards.

IV. Action to be taken by the General Assembly

23. **Taking into account the observations contained in the preceding paragraphs, the Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General.**

---

[3] The Task Force was established by the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination in 2002 and in 2005 was mandated to provide support, coordination and leadership with regard to the implementation of IPSAS in the United Nations system.

[4] The following 24 organizations of the United Nations system have adopted IPSAS. In 2008: World Food Programme; in 2010: International Civil Aviation Organization, International Maritime Organization, International Telecommunication Union, Pan American Health Organization, United Nations Educational, Scientific and Cultural Organization, United Nations Industrial Development Organization, World Intellectual Property Organization, World Meteorological Organization; in 2011: International Atomic Energy Agency, Universal Postal Union; in 2012: International Labour Organization, Joint United Nations Programme on HIV/AIDS, Office of the United Nations High Commissioner for Refugees, United Nations Children's Fund, United Nations Development Programme, United Nations Entity for Gender Equality and the Empowerment of Women, United Nations Office for Project Services, United Nations Population Fund, United Nations Relief and Works Agency for Palestine Refugees in the Near East, World Health Organization; in 2014: Food and Agriculture Organization of the United Nations, United Nations and World Tourism Organization.